

COUNCIL POLICY FORM

SUBJECT: The purpose of the policy is to establish a managing for competitiveness policy within the City of Sunnyvale.

POLICY PURPOSE:

The purpose of this policy is to set forth:

1. the goals and guiding principles for the managing for competitiveness effort;
2. the criteria for the selection of services for the managing for competitiveness process; and
3. general guidelines for conducting any managed competition process.

POLICY STATEMENT

Overview

It is the policy and practice of the City of Sunnyvale to seek to deliver quality services in the most cost-effective manner possible, within the context of other public policy goals and interests. Within the broad context of the City's continuous improvement effort, the City will implement a managing for competitiveness effort, where appropriate, to improve service to the public.

The managing for competitiveness effort will begin with the competitive assessment of the selected in-house and/or contracted service. Competitive assessment will include benchmarking best-in-field practices of other organizations providing the same or similar service. In the competitive assessment phase, City employees providing the service will have a specific period of time to implement achievable improvements prior to a decision to determine the most competitive method to deliver the service. The City will retain the same service provider (City staff or external organization) if it is deemed competitive according to the measures set forth later in this policy. The managing for competitiveness effort will be implemented in accordance with the goals, guiding principles and criteria for service selection set forth in this policy.

Goals of Managing for Competitiveness

The overall goal of managing for competitiveness is to ensure competitive service delivery, regardless of the delivery method used. The goals of the competitiveness effort should reflect the breadth of the qualities necessary to be competitive and broader public interest, rather than simply focus on cost savings. Accordingly, the goals of the managing for competitiveness effort are to:

- improve the quality and quantity of service provided;

- encourage creativity and innovation in the delivery of services;
- increase responsiveness to customers through flexible service delivery; reduce costs and/or avoid costs;
- identify opportunities to leverage resources; and
- ensure the City's mission and scope of services evolve with the changing environment.

Guidelines

The following guidelines will form the basis for the development and implementation of the managing for competitiveness effort.

1. Competitiveness Produces Value

The premise of the proposed policy is that competitive service delivery produces value for City residents and that either in-house or alternative service delivery methods may produce superior service value. Therefore the City may:

- ◆ review services that are currently provided in-house for their competitiveness;
- ◆ review services that are currently contracted out for their competitiveness; or
- ◆ propose to provide services to other government agencies; and,
- ◆ propose to provide services to the private sector, when it properly furthers an appropriate public purpose.

The City will continue to utilize continuous improvement practices to enhance in-house service delivery outside of this competitive effort. The City will also continue to use the current private competitive bid process in which the City is not competing and/or other alternative delivery methods, without reference to the managing for competitiveness effort, in situations when the benefits to the City of alternative service delivery are clear and/or delivery of the service is time-sensitive.

2. Build Employee Partnerships

Fair and respectful treatment of staff will be a cornerstone of the managing for competitiveness effort. To encourage staff input, the City will establish the appropriate support structure to ensure the ongoing participation of staff and employee associations throughout the development and implementation processes. However, final decisions relating to development and implementation of managing for competitiveness will continue to reside within the purview of the City Council and the City Manager.

3. Commit to Employment Stability

While the City cannot guarantee there will be no staff layoffs as a result of managing for competitiveness, the City is nevertheless committed to maintaining the maximum degree of employment stability possible for City staff adversely affected by the managing for competitiveness effort. To some extent, employment stability will be

dependent on employee and the employee associations' commitment to the flexible redistribution of human resources, through alternative career paths, broadened class specifications and other measures, as may be appropriate, to allow affected staff to assume greater and/or different responsibilities in a cost-effective manner.

4. Promote Internal Competitiveness

The City will make every reasonable effort to enhance the ability of employees to successfully provide competitive services on an ongoing basis. Examples of actions to accomplish this objective will include:

- Continuing to utilize continuous improvement practices to enhance in-house effectiveness and efficiency on an ongoing basis.
- Providing specialized training to employees, as appropriate, to enhance specific skills and capabilities needed to improve service delivery.
- Purchasing equipment and/or technology, as appropriate, that will result in notable improvement in service delivery.
- Providing competitiveness training to staff and employee association leadership. Training will include components such as benchmarking, re-engineering processes and procedures, preparing Requests for Proposals, preparing response to Request for Proposals, general business principles, and other areas as deemed appropriate.
- Involving internal support staff (e.g., budget, purchasing, information technology, human resources, etc.) in the managing for competitiveness effort and competitiveness training to the extent their operations are a cost factor.
- Removing internal barriers to competitiveness, such as outdated or unnecessary procurement, legal, human resources, financial and other operational procedures.
- Providing rewards (e.g., gainsharing, bonus programs, etc.) for successful staff efforts to reduce service costs and enhance service quality.

5. Utilize a Competitive Assessment Process

Reflecting the preference for in-house service delivery, the managing for competitiveness effort will always start with a competitive assessment of any selected in-house service function. City staff providing the service will be given an opportunity, within a specific period of time, to develop and implement readily achievable cost and/or quality effectiveness improvements *prior* to any decision to pursue a managed competition process. Cost and quality effectiveness improvements shall include actions affecting both line staff and management, such as reducing management layers, and utilizing classification techniques that promote effectiveness and efficiency.

The City will continue to deliver the service in-house in those cases where cost and quality effectiveness are equivalent to or greater than the alternative means or where the potential savings from outside service delivery is less than the projected cost of contract administration and basic transition costs for the same level of service. In general, ten percent (10%) is the percentage used in business to account for contract

administration and basic transition costs. However, the percentage in each specific case evaluated by the City may vary based on the cost and the complexity of the service.

Based on the recommendation of an in-house competitiveness assessment team, the City Manager will decide if the service will remain in-house or be subject to a managed competition process. The City Manager's decision will be subject to City Council approval.

In situations involving currently contracted-out and new services, a similar process will be used to determine if the City can deliver the service competitively. In this situation, the assessment will be based on the expected costs to the City to provide the service rather than the actual costs. The external service provider will be retained unless City staff can demonstrate the cost and quality effectiveness are equivalent to or greater than the external service provider or where the potential savings from outside service delivery is greater than the projected cost of basic transition and ongoing service delivery costs for the same level of service. As with in-house services, a 10% differential will be the general expected saving, although each case will be judged on its own merits.

6. Consider Managed Competition as Only One of Several Tools to Enhance Competitiveness

The goal of the managing for competitiveness effort is not to reduce costs by reducing staff. Accordingly, within the context of this policy, it is anticipated that the *selective use* of a managed competition process will become an additional continuous improvement methodology among several (benchmarking, re-engineering services, problem-solving teams, etc.) that may sometimes be used to manage for competitiveness. To the extent that managed competition is used, it would be utilized only after:

- The identified service has been assessed for competitiveness through the use of benchmarking.
- There has been an opportunity to incorporate the best external practices into the identified service.
- There has been additional assessment or analysis as to the degree competitiveness has been enhanced through incorporating best practices or re-engineering current processes and procedures.

In managing for competitiveness, the use of a managed competition process for a given City service would come only after City staff has had ample opportunity take the service to a higher level of competitiveness. It is further anticipated that benchmarking for competitiveness, incorporating best practices and/or re-engineering current practices to improve competitiveness, and not the managed competition process, will form the largest components of the managing for competitiveness effort. Nor is it anticipated that the managed competition process will be incorporated and regularly used throughout

the entire City organization. To the extent that it is utilized, it will be selectively used as one of several tools in the managing for competitiveness effort.

7. Level the Playing Field

Any managed competition process utilized by the City will not favor nor disadvantage any competitor in the process *to the degree consistent with public policy goals*. The following guidelines will apply to any public-private competition:

- The evaluation process will include a review of employment practices of private sector proposals, which would include a review of employee complaint procedures and compliance with state and federal workplace standards.

Method for comparing costs will:

- be reasonable and unambiguous;
- seek the maximum degree of objectivity and integrity of the data; and
- ensure that all internal costs and gains associated with outside contracts are captured.

Performance standards and quality measures will be reasonable, quantifiable and unambiguous.

8. Conduct a Fair and Reasonable Process

After competitive assessment and a reasonable opportunity to incorporate readily achievable improvements, should the City decide to subject any City service to a managed competition process, the City will maintain high ethical standards and will make every effort to avoid any actual or perceived conflict of interest in selecting service providers.

To support the goal of a fair and reasonable process, the City will invite private sector participation in the development of the Request for Proposal for any service selected for managed competition and in the evaluation of any public or private responses to the Request for Proposal.

Any private sector organization involved in development of a RFP or evaluating responses to a RFP in a City managed competition process will not be eligible to submit a proposal in the same managed competition process. Private sector participant could be from the same or similar industry as the service covered in the RFP or could be a non-profit organization such as the Chamber of Commerce, the Silicon Valley Manufacturing Group or a similar local organization.

9. Maintain Long Term Competitiveness

To ensure service delivery of competitive services to the public over the long term, the City will avoid actions that results in the creation of a “private monopoly,” in which only one private firm is likely to be viewed as a tenable provider of a particular service. If the creation of a private monopoly is likely, the City will consider contracting out only part of the service or not contracting out any of the service. The City will also monitor contract costs over the long term to ensure ongoing cost competitiveness.

10. Ensure Managing for Competitiveness Efforts Result in the Desired Service Outcomes

Whether a service is retained in-house or delivered by an external service provider, the City should seek to ensure that desirable quality and cost outcomes are met. In order of priority, desired managed competition outcomes are:

- Better service at lower cost.
- Better service at equal cost.
- Equal service at lower cost.

If at least one of the desired service outcomes cannot be clearly identified at the conclusion of a managed competition process, the current service provider (City staff or external provider) will retain the service.

Service Selection Criteria

As part of the annual non-routines process, the City Manager will identify services that will enter into the managing for competitiveness effort and the target dates for completing the competitive assessment phase and determining if the services will be subject to a managed competition process. Services may include those currently provided in-house, those currently contracted out and new services. The City Manager will solicit recommendations for services from the City Council, department directors and employee associations. The following criteria will be utilized to select services for the managing for competitiveness effort and any subsequent determination that a service should be subject to a managed competition process:

- **Nature of the Service:** The extent to which a service is a self-contained or a component of a larger service delivery system; is considered a core service versus an ancillary service; can be subdivided geographically with respect to volume of work or duration of work; and can be measured in terms of quantity, quality and other performance standards.
- **Competitive marketplace:** The availability of a competitive market for the service, in which providers have an interest in competing for the service and the ability to provide the service in terms of skill sets and resources.

- **Public Policy Acceptability:** The degree to which the City residents and/or the City Council can accept the concept of providing the service on a competitive basis and the possibility of alternative service delivery.
- **Cost Savings Potential:** The degree to which managing competitively is likely to reduce or avoid future costs without compromising the quality of service.
- **General and Enterprise Fund Enhancement:** The degree to which managing competitively is likely to have a positive effect on the general fund or enterprise funds, as appropriate.
- **Quality of Service:** The degree to which performance standards can be defined for the quality and level of service. The degree to which managing competitively is likely to improve quality, customer satisfaction and/or responsiveness for the same or lower cost.
- **Impact on City Staff:** The potential effects on City staff currently providing the service and on the City workforce in general with respect to issues such as work load, productivity, the availability of measures to mitigate negative impacts on individual employees, etc.
- **Legal Restrictions:** The extent to which local, state and federal laws, regulations and funding guidelines restrict the method of service delivery or the competition process. The extent to which local ordinances can be changed to accommodate possible competition and alternate service delivery.
- **Risk Factors:** The extent to which possible alternative service delivery presents risk to the City and the public in the areas of defaults, breach of contracts, service interruption, cost overruns and threats to public safety, health and welfare.
- **Resource Issues:** The availability of government financial, human, technological and capital assets to provide the service as compared to the resources of possible external service providers.
- **Degree of City Control Required:** The degree to which the City needs to exert control over the delivery of the service, can retain accountability for public funds, and has the ability to establish and maintain oversight of service quantity and quality through adequate contract management.

General Approach for Conducting a Managed Competition Process

The following is the general approach for determining and conducting a managed competition process:

Competitive Assessment

1. Select the service for a managing for competitiveness effort and identify dates for competition in the annual non-routines process.
2. Conduct competitive assessment of the service, including identifying and benchmarking best-in-field practices.
3. Implement quality and cost-effectiveness improvements by the targeted date.
4. Prepare a report reviewing and evaluating competitiveness after improvements have been implemented.
5. Based on the assessed competitiveness of the service, determine if:
 - the service should be subject to a managed competition process; or
 - the City should not be in the business of directly delivering the service.
 - the service should be retained by the current service provider (whether in-house or external);

Managed Competition Process

If the decision is to conduct a managed competition process, the process will consist of the following phases:

- Possibly develop and issue Requests for Qualifications (RFQ) and/or Requests for Information (RFI) to informally determine the qualifications and possible service delivery approaches of potential external service providers.
- Develop and issue a Request for Proposal (RFP).
- Conduct the RFP process.
- Select a provider.
- Monitor performance and costs.

Employment Options

It is *not* the goal of the managing for competitiveness effort to enhance make service delivery quality and reduce service costs by simply reducing the number of City staff providing services. Throughout the managing for competitiveness effort, a primary goal will be the fair and respectful treatment of impacted City employees. Towards that goal, the City will be guided by the following guidelines:

Outside Contractor Employment

In the event the managing for competitiveness effort results in the external delivery of a service previously provided in-house, the City will do what it reasonably can, in conjunction with the meet and confer process, to create the opportunity for some or all of the impacted City staff to transition to other viable job opportunities. For example, to

facilitate the transition to private employment, the City will explore the feasibility of having the successful outside contractors that create new jobs or have currently existing job vacancies to deliver a City service to first consider any qualified displaced City staff for employment.

Internal Placement

In the event that a managed competition results in external delivery of a service previously provided in-house or in-house improvement measures result in the displacement of City staff, the City will make every reasonable effort to provide any displaced employee with other employment within the City to avoid the need for layoffs. However, the City *cannot guarantee* that no layoffs will occur. Should layoffs become necessary, lay-off procedures under the appropriate Memorandum of Understanding or Civil Service Regulations will apply.

The City will make every reasonable effort to avoid involuntary separation unless the impacted City staff is hired by the successful contractor or chooses layoff in lieu of internal placement. If an individual employee is retained by the City, the employee *will not* experience a reduction in current pay, although the employee may be transferred, assigned to a different classification, have salary “Y-rated” or capped, or have other opportunities for employment. The effort to internally place a City employee will not apply in situations other than reductions in positions resulting from a private-public competition or from contracting out without utilizing the public-private competition process. Internal placement efforts *will not* apply in situations involving position reductions due to general budget reductions.

In addition to the obligations in the Civil Service rules and the City’s Memorandums of Understanding, the City will attempt to mitigate the possible impacts of a change in service delivery with actions including, but not limited to, the following:

- Notifying the appropriate employee associations and the Human Resources Department (HRD) of the impending managed competition process;
- Meeting and conferring with employee associations as the sole representatives of the employees, as appropriate, in accordance with state statute.
- Identifying opportunities for moving displaced employees into other City positions with comparable benefits and salary levels without compromising current job standards.
- Assisting employees in transition by offering training and cross training.

In the event an impacted employee elects not to accept a position within the City, the employee will be separated from City employment within 30 days, with any appropriate compensation, and the City will provide outplacement support services.

Meet and Confer Provision

For purposes of this policy, the meet and confer process will incorporate the following principles:

- The process will consider the competing interests of other stakeholders beyond the affected staff.
- Flexibility in the redistribution of human resources is necessary to establish internal placement options for affected staff.
- The process will attempt to coordinate solutions Citywide, not just in one bargaining unit.

Report To Council No. 99-004

Approved by City Council on: January 12, 1999

Deputy City Clerk Certification: _____